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## **INTRODUCTION**

The Grand Traverse County Prosecuting Attorney (PA) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Grand Traverse County PA had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Grand Traverse County PA billed the FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Grand Traverse County for their costs based on the Federal IV-D Program regulations.

## **SCOPE**

We performed an audit of the costs submitted for reimbursement by the Grand Traverse County PA for the period January 1, 1996 through December 31, 1996. Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

## **EXECUTIVE SUMMARY**

We found that the Grand Traverse County PA overbilled the FIA for some line items. The State share of the amount overbilled was \$995. (See Schedule A.) We also found the County was not complying with the internal service fund requirements of Federal Office of Management and Budget Circular A-87 (A-87).

Our report recommends the Family Services Administration initiate the process to recoup \$995 from the Grand Traverse County PA. Our report also recommends the County comply with the internal service fund requirements of A-87.

## **PA RESPONSE**

The Grand Traverse County Deputy Administrator, Director of Finance for the PA, responded that the adjustment in Finding #2 is not needed because certain of the fringe benefit rates have been reduced to zero in 1998 in order to correct the excess balance in the internal services fund.

## **FINDINGS**

### **Other Direct Not in Agreement with Financial Records**

1. The Grand Traverse County PA overbilled the FIA \$1,203 for other direct. The other direct costs billed did not agree with the costs recorded in the general ledger which is a source document for the billings. (See Schedule A.)

### **Internal Service Fund Billings, Fringe Benefits**

2. The Grand Traverse County PA overbilled the FIA \$197 for personnel costs. The overbilled amounts were for health, workers' compensation and short term disability billed using internal County rates. The costs were from the Fringe Benefits fund (an internal service fund). The internal County rates did not accurately allocate the actual cost of health, workers' compensation and short term disability. (See Schedule A.)

The County's single audit listed short term disability and workers' compensation benefits as questioned costs but without a dollar adjustment. They were listed as questioned costs because the Fringe Benefits fund did not comply with the reserve requirements of A-87, Attachment C, Subsection G.2. The County had reduced the internal County rates starting in September of 1997 apparently to reduce the reserve balances in the fund. A reduction (or increase) to future rates to adjust for billed rates of a prior period is allowable under A-87 Attachment C, Subsection G.4. If the reduction in rates had reduced the reserve balances it would have effectively eliminated the need for our

adjustment. An adjustment is made in our audit, however, because as of the end of 1997 the fund balance increased and the reserve balances for workers' compensation and short term disability were only reduced a minor amount.

A-87 Attachment B, Subsection 25.d.2 also requires the County to credit earnings or investment income on reserves. No earnings or investment income was credited to the Fringe Benefits fund although there were reserves.

WE RECOMMEND the Family Services Administration initiate the process to recoup \$995 from the Grand Traverse County PA.

WE ALSO RECOMMEND the County comply with the internal service fund requirements of A-87.

| Finding #  | Line Item    | Year |  | (Over)/Under<br>Billed Gross<br>Amount | IV-D %    | (Over)/Under<br>Billed IV-D<br>Amount | Due (State)<br>County |
|--|--------------|------|--|--|-----------|---------------------------------------|-----------------------|
| 1  | Other Direct | 1996 |  | (7,186)                                | 16.74%    | (1,203)                               |                       |
| 2  | Personnel    | 1996 |  | (1,176)                                | 16.74%    | \$ (197)                              |                       |
|  |              |      |  |  |           |                                       |                       |
| <b>Grand Total of the IV-D Audit Adjustments</b>         |              |      |  |  |           | \$ (1,400)                            |                       |
| <b>Calculation of the Payment Due the (State) County</b> |              |      |  |  |           |                                       |                       |
|  |              |      |  |  | Paternity | Total                                 |                       |
|  |              |      |  |  | Testing   |                                       |                       |
| Audited IV-D Amount                                      |              |      |  | 118,682                                | 1,918     | 120,599                               |                       |
| IV-D Amount Used for the Payments Actually Made          |              |      |  | (120,082)                              | (1,918)   | (121,999)                             |                       |
| IV-D Audit Adjustment Due (State) County                 |              |      |  | (1,400)                                | -         | (1,400)                               |                       |
| State Share %  |              |      |  | 71.06%                                 | 100.00%   |                                       |                       |
|  |              |      |  | (995)                                  | \$ -      |                                       | (995)                 |